

BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COLUMBIA, SOUTH CAROLINA

PROCEEDING #18-11703

JANUARY 11, 2018

3:00 P.M.

ALLOWABLE EX PARTE BRIEFING - ND-2018-2-E

SOUTH CAROLINA ELECTRIC & GAS COMPANY and DOMINION ENERGY INC. -

*Allowable Ex Parte Briefing Regarding Merger of SCANA Corporation
and Dominion Energy, Inc.*

**TRANSCRIPT OF ALLOWABLE
PROCEEDINGS**

EX PARTE BRIEFING

COMMISSION MEMBERS PRESENT: Swain E. WHITFIELD,
CHAIRMAN; Comer H. 'Randy' RANDALL, VICE CHAIRMAN;
and COMMISSIONERS John E. 'Butch' HOWARD, Elliott
F. ELAM, Jr., Elizabeth B. 'Lib' FLEMING, Robert T.
'Bob' BOCKMAN, and G. O'Neal HAMILTON

ADVISOR TO COMMISSION: Joseph Melchers, Esq.
General Counsel

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Assistant to Commissioners; B. Randall Dong, Esq., and David W.
Stark, III, Esq., Legal Staff; William O. Richardson, Douglas K.
Pratt, Thomas Ellison, and John Powers, Technical Advisory Staff;
Jo Elizabeth M. Wheat, CVR-CM/M-GNSC, Court Reporter; and Afton
Ellison, Deborah Easterling, and Calvin Woods, Hearing Room
Assistants

APPEARANCES:

K. CHAD BURGESS, ESQUIRE, together with
Jimmy E. Addison [CEO, SCANA] and ***Thomas F.
Farrell, II*** [CEO, Dominion Energy], representing and
presenting for **SOUTH CAROLINA ELECTRIC & GAS COMPANY AND DOMINION
ENERGY, INC.**

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SHANNON BOWYER HUDSON, ESQUIRE, representing
the SOUTH CAROLINA OFFICE OF REGULATORY STAFF

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Note: For identification of any additional referenced materials and/or links for same, please see subsequent correspondence filed by the Office of Regulatory Staff.

Please note the following inclusions/attachments to the record:

- PowerPoint Presentation Slides (PDF)

1/11/18

Live Streamed

P R O C E E D I N G S

CHAIRMAN WHITFIELD: Please be seated. I'll call this allowable ex parte briefing to order and welcome you.

At this time, I'll turn it over to our attorney, Mr. Melchers, to read the docket.

MR. MELCHERS: Thank you, Mr. Chairman.

Commissioners, we're here pursuant to a Notice of Request for Allowable Ex Parte Communication Briefing. The parties requesting the briefing are South Carolina Electric & Gas Company and Dominion Energy, Inc. It is scheduled for today, here in the Commission's hearing room for January 11th, 3 o'clock. And the subject matter to be discussed today is: SCANA Corporation and Dominion Energy, Inc., Merger.

Thank you, Mr. Chairman.

CHAIRMAN WHITFIELD: Thank you, Mr. Melchers.

At this time, I'll turn it over to the South Carolina Office of Regulatory Staff – Ms. Hudson, I guess that's you, today – to give us some ground rules for the day, governing today's proceeding.

MS. HUDSON: Thank you, Mr. Chairman. Good afternoon, everyone. Can everyone hear me?

CHAIRMAN WHITFIELD: No, I don't think your

1 mic is on, Ms. Hudson.

2 MS. HUDSON: [Indicating.] Let me start over.

3 CHAIRMAN WHITFIELD: Yes.

4 MS. HUDSON: Good afternoon, everyone. I'm
5 Shannon Hudson. I am Deputy Chief Counsel with the
6 South Carolina Office of Regulatory Staff and I am
7 the designee of our Executive Director to certify
8 that today's proceeding takes place within the
9 rules of the allowable ex parte statute. And that
10 statute number is 58-3-260(C)(6). That's the
11 statute that allows today's briefing to take place.

12 Under that statute, for today's briefing to
13 take place, certain rules must be followed, and I'm
14 going to go over a few of those with you right now.

15 First, the topic to be discussed is limited to
16 the SCANA/Dominion merger, only that.

17 The presenters today may only present. They
18 may not ask the Commission to take any action. For
19 instance, those presenting cannot say,
20 "Commissioners, will you approve our merger?"

21 Next, only the Commission may ask questions.
22 And just like the presenters may not ask the
23 Commission to take any action, the Commissioners
24 cannot indicate or state what action they may or
25 may not take. For instance, they may not indicate

1 today that they will or will not approve the
2 merger.

3 So, I believe – a transcript of today's
4 proceeding will be filed no later than this time
5 next Thursday. In addition, any presentation used
6 today, along with any of the documents referenced,
7 will also be included with that posting on the
8 Commission's website. If anybody has any
9 questions, you're welcome to come see me after the
10 hearing.

11 And just in conclusion, you were given this
12 sign-in sheet [indicating] when you came in.
13 Please turn it in to the Staff when you leave.
14 Please sign it. It is needed to certify today's
15 briefing.

16 I appreciate you listening to me, and thank
17 you for your time. And, thank you, Mr. Chairman.

18 **CHAIRMAN WHITFIELD:** Thank you, Ms. Hudson.

19 Now that we've been given our ground rules
20 governing allowable ex parte briefings, at this
21 time – I don't think there are any other matters at
22 this time, so at this time I'm going to turn it
23 over to the companies. Is that you, Mr. Burgess?

24 **MR. BURGESS:** Yes, Mr. Chairman, that's me.

25 **CHAIRMAN WHITFIELD:** Yes, sir. You have the

1 floor. Yes, sir.

2 **MR. BURGESS:** Thank you. My name is Chad
3 Burgess. I'm corporate counsel for SCE&G, and it's
4 a pleasure to appear before you today. And on
5 behalf of SCE&G and Dominion, we appreciate the
6 opportunity which you've provided to us, to explain
7 to you the transaction that SCANA and Dominion
8 entered into here recently, just after the New
9 Year.

10 We have two presenters today: Mr. Tom Farrell,
11 who's the CEO of Dominion Energy, and Jimmy
12 Addison, who's the CEO of SCANA Corporation.

13 I'll ask both those gentlemen to go ahead and
14 take the panel.

15 They have about 16 slides – really, 18 slides,
16 but once you get past the Safe Harbor Statement at
17 the beginning, there's about 16 slides of
18 substantive comments that they want to cover with
19 you today. So, unless you have anything further
20 for me, Mr. Chairman, I'll turn it over to these
21 gentlemen and let them explain to you how we got to
22 where we are today. Thank you.

23 **CHAIRMAN WHITFIELD:** Thank you, Mr. Burgess.

24 Good afternoon, Mr. Addison. Good afternoon,
25 Mr. Farrell. I don't know who chooses to go first,

1 but I'll leave that to you two.

2 MR. JIMMY E. ADDISON [SCANA]: Thank you,
3 Chairman Whitfield and Vice Chairman Randall, and
4 fellow Commissioners. We appreciate your time this
5 afternoon.

6 [Reference: Presentation Slides 2 ~ 3]

7 On October 31st, we announced the planned
8 retirements of our CEO and another senior
9 executive. Two weeks later, on November 16th, we
10 held a press conference where SCE&G Senior Vice
11 President Keller Kissam presented our proposed
12 solution to the abandonment of the Summer Units 2
13 and 3.

14 Central to our proposal were: an immediate
15 rate reduction of 3½ percent, shortening the
16 recovery period from 60 to 50 years, a shareholder-
17 funded base-load power plant of over 500 megawatts
18 providing 40 percent of the energy that was to come
19 from our 55 percent portion of Units 2 and 3 of
20 Summer.

21 This proposal did not receive the public
22 support necessary to resolve the issues.

23 A week later, Thanksgiving week, Dominion
24 reached out to me to seek a meeting to discuss
25 potentially combining with SCANA. Though there had

1 been discussions with Dominion earlier in the year
2 regarding their interest in SCANA, those
3 discussions never advanced to negotiation of the
4 terms of a potential transaction. But by late
5 November, we had adequate time to gauge the public
6 reaction to SCE&G's proposed solution, and so we
7 decided to meet again with Dominion to discuss
8 their interest.

9 We met with Mr. Farrell on the evening of
10 Monday, November 27th, where he and his chief
11 financial officer described a proposed transaction,
12 including a major incremental customer benefit
13 beyond what SCE&G could offer. We felt the
14 proposed solution should be seriously considered,
15 and our board convened two days later. The board
16 concurred with management's initial reaction, and
17 detailed negotiations were initiated.

18 During this timeframe, ORS's request that we
19 cease collection of the carrying costs associated
20 with the nuclear units caused major concern of
21 investors and rating agencies. Our market
22 capitalization fell more than \$500 million in the
23 few days after the Commission's decision to hear
24 the ORS request. Rating agencies expressed
25 additional concern. It was clear that SCE&G's

1 ability to present a successful proposal beyond the
2 one presented in November and remain financially
3 viable was becoming very unlikely.

4 In short, the offer we put forward in mid-
5 November wasn't enough. The potential of the
6 implementation of the ORS request would have been
7 financially crippling and would have had a
8 significant economic drag on South Carolina for an
9 extended period of time. For these reasons, we
10 felt a discussion with Dominion was warranted.

11 After due diligence and negotiation, the
12 concept presented by Dominion ultimately evolved
13 into a combination agreement, which was approved by
14 our board on the evening of January 2nd and
15 announced the morning of Wednesday, January 3rd.
16 Given the pace of events here at the PSC, as well
17 as the pending legislation at the South Carolina
18 General Assembly, our board concluded unanimously
19 that combining with Dominion would be far better
20 for our customers, our employees, our investors,
21 and our State than going it alone.

22 That's the background on how we got to this
23 point.

24 I'd like to draw your attention to this slide –
25 [Reference: Presentation Slide 4]

1 – where you'll see our view of where we might
2 go from here.

3 Scenario A on the left is Dominion's proposal,
4 which Mr. Farrell will discuss in detail in a few
5 moments.

6 Scenarios B and C attempt to describe the
7 impact of the implementation of ORS's request or
8 the impact of similar retroactive legislation, if
9 enacted. Of course, there would be significant
10 legal issues and challenges, if the Base Load
11 Review Act is repealed and that repeal is applied
12 retroactively. So, by presenting this slide, we're
13 not suggesting that we agree with any challenges or
14 changes to the BLRA.

15 Scenario B presumes the Supreme Court upholds
16 the BLRA as constitutional without a merger or any
17 concessions. Customers' rates actually increase
18 due to the construction costs that are not
19 currently in rates being included. There are no
20 upfront refunds to customers. Rates are impacted
21 by nuclear abandonment for 60 years, and the cost
22 of the replacement generation asset is added to
23 ratebase.

24 Scenario C is addressed in detail on the next
25 slide.

[Reference: Presentation Slide 5]

Scenario C presumes the Supreme Court affirms the repeal of the BLRA, and that appeal is applied retroactively to deny SCE&G cost recovery. Again, we're not suggesting that we think such a result would be appropriate; we're merely presenting an illustration of what would be likely to happen.

The New Nuclear portion of bills would be removed. SCE&G credit is downgraded to speculative – or junk – status, increasing customers' rates. It would require higher-cost equity raise, which will ultimately increase the cost of customers' rates. And we estimate that customers' bills could actually increase due to the higher cost of capital.

Clearly, the tangible solution of the Dominion proposal is a much better answer for all.

And I'll now turn the presentation over to Mr. Farrell to present an overview of Dominion and their proposal.

MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:

Thank you, Jimmy.

Mr. Chair, fellow Commissioners, I very much appreciate the opportunity to address you today. I will start by reviewing the broad terms of Dominion

1 Energy's offer to combine with SCANA, and then, if
2 it's all right with you all, spend some time
3 introducing you to other parts of Dominion Energy
4 that you may not be familiar with.

5 But before I start that, in addition to
6 thanking you for the opportunity to present this,
7 you may wonder why – how did this – why are we
8 interested? What are we doing here? You may know
9 that Dominion is a corporate citizen of South
10 Carolina, has been for about three years. We've
11 invested most of a billion dollars in the State
12 over the last three years, about \$750 million, in
13 pipeline purchase from SCANA, their pipeline
14 system. And we've done a number of extensions of
15 that pipeline system to help bring more gas
16 infrastructure to the State of South Carolina.

17 We do business in about three-quarters of the
18 counties – we have facilities in about three-
19 quarters of the counties of the State of South
20 Carolina. We've also constructed and put into
21 operation two – one very large solar farm and one
22 little-bit-smaller solar farm, in different
23 counties in the State. I'll show you that in a
24 minute.

25 But I wanted to start out by affirming that we

1 are a corporate citizen of this State, that we are
2 very interested in South Carolina. We think it's a
3 wonderful State in which to do business.

4 We have watched the situation unfold. I've
5 served on one of the industry boards, the INPO
6 board, with SCANA representatives and have known
7 them for years, and got to know the company when we
8 purchased the pipeline business. And we have about
9 105 or so employees, that were with SCANA, are with
10 us in that purchase, and we got to know them very
11 well. We understood the culture of the company
12 very well, from having those employees work in our
13 company, because we knew that the cultures of the
14 companies are very similar. And I'll show you a
15 little bit of that in a minute.

16 But as we watched this unfold, it's obvious
17 that South Carolina is in a very difficult
18 situation, with the decision by SCE&G to abandon
19 the completion of the two nuclear reactors. You
20 don't need me to say that. I don't add anything to
21 the conversation by bringing that to you all. But
22 we looked at it and said, "Is there – there's an
23 enormous amount of uncertainty for the State of
24 South Carolina since August, when this announcement
25 was made, for SCANA's customers, for their

1 employees, for other businesses in the State. What
2 is our utility going to look like?" We are in the
3 utility business. We're in the same business as
4 SCANA. A little bit larger scale, in different
5 states. I'll show you that. But I know from my
6 personal experience that having a severely
7 financially damaged utility, whether it's bankrupt
8 or near bankruptcy, is a very, very difficult
9 situation for a state to be in. It's a very
10 difficult situation for continued economic
11 development, as companies who are looking to locate
12 here say, "We don't know what's going to happen
13 with rates over time with this utility."

14 Mr. Addison has shown you these two potential
15 outcomes from actions taken around the BLRA,
16 potential actions, one of which could be to – both
17 revolve off of repealing it, and obviously there
18 would be a court challenge. It would not be our
19 court challenge; it would be SCE&G's challenge.
20 But, undoubtedly, there would be a challenge. If
21 the Supreme Court upholds the actions of the
22 Legislature, you have a severely damaged, probably
23 bankrupt utility that will be involved in a very,
24 very difficult financial situation for many years,
25 and you'll almost certainly have, actually, higher

1 rates than you have today when you take into
2 account the cost of capital and the strain that
3 will occur to that utility.

4 The other outcome is the Supreme Court says,
5 “No, you can’t repeal it retroactively,” so then
6 you have SCE&G where they were on August 1st, which
7 was after announcement of abandonment, what’s in
8 rates, \$1.7 billion in CWIP eligible to be put into
9 rates, et cetera, which Mr. Addison described,
10 which is shown on the slide here.

11 That is years of uncertainty. The court
12 challenges, potential bankruptcy, years of
13 uncertainty for SCANA, its customers, and the State
14 of South Carolina.

15 So we took a look at it from our perspective,
16 and said, “What could a combined company do? What
17 would a combined company’s financial strength –
18 what could we offer to the situation,”
19 understanding, of course, that SCANA is a private
20 company that is held through public markets, but it
21 is a private company. It can’t be required to
22 enter into a transaction; it can only do so
23 willingly. The shareholders have to approve it.

24 [Reference: Presentation Slide 6]

25 So we constructed this. Now, this is not

1 exactly what we talked to Mr. Addison about, but
2 it's fairly close, where we ended up. So the
3 initial part of it, if you all – you have it – I
4 think you have hard copies. I believe you have
5 hard copies. So I'm on page six.

6 Cash upfront: \$1.3 billion cash contribution
7 to customers, within 90 days of close. We have
8 researched it and we continue to research it,
9 because I have said this and I want to make sure,
10 when I say it, it's correct – I haven't found
11 anything to the contrary – but this would be the
12 largest refund in the history of the utility
13 industry in the United States. No other – no
14 refund by a company would ever come anywhere close
15 to this. \$1.3 billion, within 90 days of closing
16 of the combination of the two companies.

17 We will – Dominion Energy – will have to issue
18 equity, in part, to help fund this refund. We were
19 put on negative-watch by the rating agencies when
20 we announced this transaction because of the cash
21 payments that are being made and we have to fund
22 off of our equity and debt, off our balance sheet –
23 of the combined balance sheet. And I'll show you
24 the sizes of Dominion Energy here, in a few
25 minutes.

1 Now, we've said – there is a merger agreement;
2 it's on file with the Security and Exchange
3 Commission; obviously, we'll make it available to
4 you all, so you can read all the various parts of
5 it. But it contemplates that the average
6 residential customer would get about – would get a
7 \$1000 refund within that 90 days. Now, that's
8 based on their kilowatt-hour usage, so it's the
9 typical 1000 kilowatt-hour-month customer. So it
10 would be more than that, less than that; it would
11 be based off 2016's usage rates.

12 Now, we have said we are very open; we want to
13 work very closely with ORS and the Commission on
14 exactly how those refunds work, whether – the way
15 this is structured, it assumes that about 50
16 percent of the funding goes to residential
17 customers and about 50 percent of the funding goes
18 to commercial, industrial, and other customers.
19 Now, that's just based on the usage patterns of
20 SCE&G's customers. But we're certainly open to
21 discussion of how that would work over time.

22 That's up front, \$1.3 billion, largest refund
23 in the history of the United States.

24 The second piece is lower rates, going
25 forward. Now, SCANA had offered a lower rate of

1 about 3½ percent in their November – I think was
2 November.

3 **MR. JIMMY E. ADDISON [SCANA]:** Right.

4 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
5 – November time period. So, we can do that. Now,
6 we've also said that we will add – and this is
7 going to happen over time, anyways, but we would
8 add whatever reduction – whatever SCANA is
9 collecting, SCE&G is collecting, in its rate today
10 for federal income tax purposes would be reduced
11 from the 35 percent to 21 percent. We don't know
12 all their exact tax positions. It's a very
13 complicated question about how that all actually
14 works out; it's not going to be a dollar for dollar
15 in any utility in the United States, I don't
16 believe, because of all these various positions and
17 regulatory assets and deferred taxes and all these
18 things. But we'll work through all that. Whatever
19 it is, we've committed to pass all of that through
20 as soon as possible to SCE&G's customers. We feel
21 very certain that it would be at least a 1½ percent
22 reduction, which is how we get to this 5 percent:
23 the 3½ plus at least 1½. But I want to reiterate,
24 whatever the number is is what will be passed
25 through. It's almost certainly going to be higher

1 than a 5 percent reduction. That's about \$7 a
2 month. It's \$7.50 a month for the average
3 residential customer.

4 Like SCANA, we have agreed that – or proposed,
5 rather, that this \$180 million purchase of the gas-
6 fired power plant that is required to help meet
7 customers' needs because Summer will not be
8 completed, they had suggested they would have
9 shareholders pay for that, not attempt to put that
10 into rates, which we would go along with.

11 The important part of this, the \$1.7 billion
12 of combination of CWIP and other regulatory assets
13 associated with the power plant expansion that is
14 eligible under the BLRA for inclusion in rates, we
15 would take that issue off the table for all time.
16 The combined company would absorb that cost in our
17 balance sheet, without ever attempting to pass that
18 on to customers.

19 Now, the total benefit to SCE&G's customers,
20 direct and indirect benefits of our proposal
21 compared to what was listed as Option B in Mr.
22 Addison's slide, is \$12.2 billion. That's the
23 Delta between what we are offering and what the
24 status quo was on August 1st: \$12.2 billion in
25 benefits to SCE&G's customers.

1 Part of that is a reduction of recovering on
2 the plant to 20 years from 60 years, so you cut the
3 recovery by two-thirds.

4 There are a great deal of community benefits
5 that are very important Mr. Addison and it's an
6 important part of the culture of our company, which
7 I'll cover with you in a minute. For community
8 benefits, it protects employees until 2020,
9 increasing by a third SCE&G's charitable
10 contributions in South Carolina by adding a million
11 dollars a year, and helps ensure investor
12 confidence not only in SCE and as SCANA and the
13 utility in South Carolina, but other potential
14 companies who may come, want to come to South
15 Carolina as part of economic development
16 activities.

17 [Reference: Presentation Slide 7]

18 This next slide is – shows as Slide 7 – is
19 this pro forma, I will call it, refund, by class.
20 This is as proposed, but, as I said, we're very
21 open to discussion of how this would actually work.
22 But if you do it based on usage patterns,
23 residential customers would receive, of the \$1.3
24 billion, about half: \$628 million of it, which is
25 what yields this \$1000 per average residential

1 customer.

2 Industrial customers would get about \$300
3 million. Some customers would get a refund of as
4 much as \$22.2 million, within 90 days of closing.

5 The State of South Carolina, through its
6 various agencies – includes universities, for
7 example, all the State agencies of the State of
8 South Carolina – would get a refund of \$36.6
9 million, within 90 days of the close. That totals
10 almost \$10 million for certain of the agencies.

11 Municipalities – separate, of course, from the
12 State agencies – would get an additional \$22.6
13 million in refunds, within 90 days of the close.

14 And as you know, there's a category for
15 churches. In this situation, they would get \$2.6
16 million. About \$200,000 for certain churches.

17 But depending upon how the Commission wanted
18 to actually allocate this out, across the customer
19 classes.

20 [Reference: Presentation Slide 8]

21 Going forward – that's the immediate benefit
22 to customers, within 90 days. Going forward,
23 benefits are: You start with this \$1.3 billion in
24 the far left of this – I'm on the next slide; it's
25 showing on page eight on the screen here – that

1 \$1.3 billion in cash payment, which we have to fund
2 off of our balance sheet with a combination of debt
3 and equity. That's what led to the negative
4 outlook for Dominion Energy.

5 We will write off the \$1.7 million, remove
6 that issue for all time, for potential recovery
7 from customers.

8 The rate reduction, the way this works – and
9 you'll see this in detail in our application
10 tomorrow, when we file. All this will be laid out
11 in more detail for you, and even more detail will
12 come when the testimony comes. The way this rate
13 reduction works, we will have to subsidize it with
14 an additional almost \$600 million in rate subsidies
15 that will go on for a period of eight years, and
16 then the nuclear plant itself tails down over the
17 balance of the period to zero. Under the SCANA
18 proposal, status quo would have been 60 years. The
19 proposal that they offered in November would be to
20 recover it over 50 years, the customers would be
21 paying for that. This proposal reduces it to 20
22 years. Then if you take the \$180 million for the
23 power plant that is being purchased by shareholders
24 and absorbed under their balance sheets, rather
25 than trying to seek recovery of the capital cost

1 from customers, that is direct benefits of \$3.8
2 billion directly to SCE&G's customers, including
3 the upfront refund, the subsidy, the absorption of
4 the CWIP, and the \$180 million dollars.

5 Now, the savings for customers compared to the
6 status quo from August 1st – that's this B; the
7 reference there is B to Mr. Addison's slide – is an
8 additional \$8.4 billion that will not be collected
9 from customers, that otherwise would under the
10 BLRA, which yields total customer benefit from the
11 Dominion Energy proposal of \$12.2 billion.

12 If you turn to the next slide –

13 [Reference: Presentation Slide 9]

14 – this is how the customer bill reduction
15 would look. Again, you start out with this
16 immediate payment of \$1.3 billion. The bill now
17 has got a portion of it – the total bill is \$148 a
18 month. The non-nuclear portion is about \$123 a
19 month; the New Nuclear is \$25 a month. The
20 immediate reduction into rates brings it down to
21 \$18, plus whatever the rest of the federal tax
22 reduction is, which would be added to that. We
23 just don't know what it is today, until we fully
24 understand all the various tax positions of SCE&G.
25 And then that would be collected – that would be –

1 that rate would stay like that for eight years and
2 then it reduces over the balance of the period,
3 over the 12 years, in increments, until the nuclear
4 portion goes to zero, as compared to what would
5 have been recovery over 50 years or 60 years.

6 [Reference: Presentation Slide 10]

7 I'll turn now, with permission of the
8 Commissioners, to a little bit more history about
9 Dominion Energy and some of the other businesses of
10 states we're in.

11 With your indulgence, before I start, a quick,
12 just, history of our company: Dominion Energy
13 started – we trace our corporate tree to 1785. We
14 were started as a canal company along the
15 Appomattox River in Virginia. It's about 30 miles
16 south of Richmond, the Appomattox River. And so we
17 built the canal that ran around the rapids of the
18 Appomattox River there. Over time, we got into a
19 variety of other businesses, and in the early
20 1900s, we were in the bus – we were a bus company,
21 transportation in the City of Richmond. And
22 Richmond is a very hilly city, and a streetcar
23 company was started there. It was the first
24 electrified streetcars, actually, in the United
25 States, were in Richmond. And they moved from

1 electrifying streetcars to electrifying homes and
2 businesses.

3 So what you have – the business that we – the
4 company we have today was founded about 1905,
5 originally as Virginia Electric and Power Company,
6 and has come over time.

7 Two other important parts of our company are
8 combinations we did with a company called
9 Consolidated Natural Gas, which is a pipeline local
10 gas distribution company. Virginia Power is in –
11 about 80 percent of the population of Virginia and
12 the northeastern part of North Carolina is the
13 service territory for Dominion Energy Virginia.
14 The Consolidated Natural Gas merger occurred in the
15 year 2000: A large interstate pipeline company,
16 local gas distribution companies in a variety of
17 states.

18 And then, within the last two years, we
19 combined with a company headquartered in Salt Lake
20 City, Utah, which is also a natural-gas local gas
21 distribution company formerly called Questar
22 Corporation, and along with a pipeline business.

23 So that corporate history goes back in those
24 companies, also, a very long way. Questar was the
25 first company to build a pipeline through the Rocky

1 Mountains, and Consolidated Natural Gas was the
2 first company to bridge the Ohio River with a
3 pipeline that went from West Virginia into Ohio.
4 That's the history of our company.

5 But where we are today is a company that's on
6 the next slide –

7 [Reference: Presentation Slide 11]

8 – that is managed and operated along a value
9 system. These are the four core values of our
10 company. We have a little bit over 16,000
11 employees. They can all tell you what these values
12 are: safety, ethics, excellence, and One Dominion
13 Energy. That's our term for teamwork.

14 The most important of these values to us, as a
15 company, is industrial safety, the safety of our
16 employees and our customers. Products that we
17 deliver, not handled properly, can be dangerous to
18 not only our employees but to our fellow citizens,
19 our customers. Safety is what makes us tick. I
20 think you can tell a lot about the culture of the
21 company by their safety record, how much they care
22 about their employees.

23 It takes a lot of work to have an
24 extraordinary safety record. Dominion Energy has
25 an extraordinary safety record. SCE&G has a very

1 good safety record. The two companies together are
2 leaders in the nation in industrial safety, looking
3 after the welfare of our employees. It takes an
4 enormous amount of work to pull that off. It takes
5 a lot of employees looking out for their fellow
6 employees. That is our core value.

7 [Reference: Presentation Slide 12]

8 The next slide shows you – this is the history
9 of our OSHA recordable rates, across our company.
10 An OSHA recordable rate is the number of incidents
11 per 100 employees over the course of a year. So
12 this is millions of hours of work over the course
13 of a year by 16,200 employees. And what that
14 number equates to is that means it's an incident
15 rate of .58, which is among the best, if not the
16 very best, in the United States. We haven't seen
17 other companies' numbers for 2017.

18 That's come down through a lot of hard work
19 over the last decade. And SCANA/SCE&G's is in
20 between our 2016 and 2017 numbers there. Very good
21 record. Now, what that means, though,
22 unfortunately, is about 85 employees – I haven't
23 seen the final number, actual number, but I think
24 the number's going to be 85 employees – had some
25 incident that they had to go get a prescription or

1 see a doctor over the course of 2017. From our
2 16,000 employees, their millions of workhours, 85 –
3 that's good, but 85 got hurt. And that's something
4 that we are very concerned about and continue to
5 work on, and we will – that's about a 10 percent –
6 better than 10 percent improvement year-over-year
7 from a very low rate to a very low rate, but we can
8 do better and we will do better.

9 [Reference: Presentation Slide 13]

10 This next slide is a statement of sort of what
11 it is we do for a living and how we view our
12 mission, which is serving our customers safely and
13 reliably, strengthening the communities in which we
14 do business, minimizing our environmental impacts,
15 rewarding our shareholders, and living our values –
16 those four core values, which we do on a daily
17 basis. As you all know, most utilities in the
18 United States are publicly held companies. Cost of
19 capital is passed through to the customers as a
20 cost of doing business. So there must be – there's
21 an important shareholder component to how any
22 public utility can be successful for the customers
23 in the State.

24 [Reference: Presentation Slide 14]

25 These are a few highlights we pulled together

1 on Slide 14.

2 Environmental highlights: We spent about \$4
3 billion – we are – I'll show you our asset base
4 here in a minute – \$4 billion across largely our
5 Virginia utility company to reduce emissions over
6 the last – since the year 2000. We have dropped
7 the constituents from mercury, NO_x, and SO_x to 95
8 percent lower levels for mercury and sulfur
9 dioxides.

10 A 43 percent reduction in carbon emission
11 intensities across our fleet. That is twice the
12 reduction of the average utility in the United
13 States, and it puts us in the top two or three
14 utilities in the United States for reducing carbon
15 emissions from our fleet.

16 Across our very large footprint of natural gas
17 infrastructure, we've reduced – and these are
18 through voluntary programs; there's no carbon
19 regulation, obviously. And on the methane, this is
20 a voluntary program where the activities we have
21 undertaken, we have prevented about 4½ billion
22 cubic feet of methane escaping into the atmosphere
23 over the last nine years.

24 We have more than doubled production of
25 electricity from renewable energy across Dominion's

1 footprint, and added 2700 megawatts of solar to our
2 fleet over the last six years, and the vast
3 majority of that has been over the last three
4 years.

5 As an indication of our employees, we worked
6 on a little over 260 projects across 10 states
7 where employees went out and cleaned up
8 riverfronts, improved trails, and improved parks.

9 Social highlights: We're very proud of our
10 relationship with the Armed Forces. South Carolina
11 has a strong and proud association with the
12 military; I'm well aware of that. I grew up in a
13 military family. My father was a career soldier.
14 Virginia has a long and proud history of its
15 association with the Armed Forces. Those two
16 states have very similar cultures in that regard.
17 Dominion Energy, we're very proud to say, was
18 ranked number one as "Best for Vets" in the energy
19 sector by *Military Times* Magazine last year. You
20 see this box over to the far right. Over the last
21 seven years, 20 percent of our hires have been
22 veterans, across Dominion Energy. We started a
23 program – there's a program across the United
24 States in the utility business called "Troops to
25 Energy Jobs," which is a program that we – utility

1 industry, gas and – primarily electric, and gas
2 utilities, working with the Department of Energy
3 and mostly the Department of Defense, to get
4 veterans into utility jobs by making it easier for
5 certifications, et cetera. That program that's now
6 throughout the United States was started by
7 Dominion Energy about six years ago.

8 Fortune Magazine does a ranking every year of
9 the most admired companies across sectors; they do
10 it by individual sectors. Last year, we were
11 ranked as the number two most-admired company.
12 There's only one company in the utility sector that
13 has been ranked either one or two over the last 10
14 years, and that's Dominion Energy. We've been
15 ranked either first or second for the past decade.

16 Last year, *Forbes*, working with a group of
17 different constituencies, NGOs, investors, et
18 cetera, said they wanted to see who were the most
19 responsible corporate citizens. They look at a
20 variety of factors, including relationships with
21 employees, how they treat the environment, quality
22 of their products, community involvement. Who are
23 the most corporate responsible citizens in the
24 United States, and they picked the top 100 and they
25 called them the "Just 100." Dominion Energy was

1 among the "Just 100."

2 Last year, or 2016 – we don't have all the
3 numbers yet for '17 – Dominion's foundation awarded
4 about \$27 million in charitable contributions. We
5 started a program in Virginia and it's now across
6 all our footprint, and we look forward to bringing
7 it to South Carolina if and when that occurs, with
8 the utility business, where we fund, the company
9 funds, our employees fund, and our customers help
10 fund a low-income assistance fund – it's all
11 voluntary, obviously; a third-party administers it
12 – for people who need help paying their energy
13 bills. Our company created this almost 40 years
14 ago, and about \$40 million has gone into that
15 program over those years. I'm very proud of this
16 program. It's called "Energy Share." And it
17 doesn't have to be an electric bill or a gas bill;
18 it can be a propane bill, whatever. It doesn't
19 have to be our product, in other words. Whatever
20 somebody needs help, with their energy bill.

21 And our employees put more than 100,000 hours
22 into volunteer activities last year.

23 [Reference: Presentation Slide 15]

24 The next slide on page 15 that shows up on
25 this, this is a layout of our footprint of our

1 company's assets. We have about \$80 billion in
2 assets today. You see we run from New England to
3 the West Coast. You can see the legend there for
4 the various asset base. So the yellow boxes are
5 solar farms. For example, in California, there's
6 about 15 solar farms that we've constructed in
7 California. In Utah, you see our local gas
8 distribution companies across our footprint are
9 these blue-colored areas. So you see, in Utah,
10 Wyoming – there's a little bit sticks up there into
11 Idaho that we serve. That's one of these towns
12 that straddles the border between Idaho and Utah.

13 And then if you look to Ohio and West
14 Virginia, you'll see also our local gas
15 distribution companies there.

16 The one in Utah and the one in Ohio are quite
17 large, both of them over a million customers. So,
18 for local gas distribution companies, very large.

19 The black lines you see on those maps are the
20 interstate pipeline systems. There's about 16,000
21 miles of interstate pipe that we operate, and
22 almost 55,000 miles of local gas distribution
23 pipelines in Utah, Wyoming, a little bit into
24 Idaho, and then you see them in Ohio, into West
25 Virginia. When you come back to the East, starting

1 there in Georgia, Tennessee, South Carolina, the
2 yellow boxes are solar farms. And I'd be happy –
3 with the Commission's permission, I'll go stand by
4 this map. It might make it easier to follow. But
5 whatever works for you all. They gave me a
6 Lavalier mic.

7 **CHAIRMAN WHITFIELD:** That'd be great.

8 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
9 Would that be helpful?

10 **CHAIRMAN WHITFIELD:** Yes, sir.

11 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
12 [Indicating.] And I'll try to stay out of the – so
13 people can see here. With your permission.

14 **COMMISSIONER HOWARD:** [Nodding head.]

15 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
16 Thank you.

17 So you see here [indicating] the solar farms
18 in California, Utah, local gas distribution company
19 – oops. I won't touch it. Don't touch it.

20 **CHAIRMAN WHITFIELD:** We have sensitive
21 technology.

22 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
23 – the gas pipelines, here [indicating]. And then
24 when you come to the East, you see the solar farms
25 here [indicating]. Maybe I'll stand over here

1 [indicating]; I don't think I'll block anybody.
2 Solar farms here [indicating] in Georgia and South
3 Carolina, Tennessee, and Indiana. We have a large
4 wind farm in Indiana, as well. That's the blue box
5 here [indicating]. Then the green here
6 [indicating] is the geographic service territory of
7 what used to be called Virginia Electric and Power
8 Company. It's one corporate entity that has its
9 service territories in both Virginia and North
10 Carolina. We exotically called them "Virginia
11 Power" and "North Carolina Power." We now
12 exotically call them "Dominion Energy Virginia" and
13 "Dominion Energy North Carolina." About 110,000
14 customers in North Carolina; even though it's a
15 fairly large geography, it's a more rural part of
16 the State. Like I said, it's about 80 percent of
17 the population of Virginia. Virginia has about 8½
18 million citizens. You can see it borders all the
19 way up to Washington, DC, so we serve the Pentagon,
20 have lots of federal agencies, et cetera, in that
21 part of the State. The state capital is in
22 Richmond, which is somewhere there [indicating].
23 I've done something to it. About here
24 [indicating]. And then in the eastern part of the
25 State is the world's largest naval base, Norfolk

1 Naval Station, and there's a large military
2 contingent there of all types: Marines, the Delta
3 Force trains there, Air Force, Navy flyers, et
4 cetera.

5 The black lines here [indicating] are our
6 interstate gas pipeline system in the eastern part
7 of the United States. And then, as I mentioned,
8 the local gas distribution companies [indicating].
9 The orange ovals you see there [indicating] – or
10 red, whatever that color is – is gas storage,
11 underground gas storage; it's about 1 trillion
12 cubic feet of underground natural gas storage. You
13 see that here on the legend.

14 We're in 18 states, we're doing business here.
15 We do have unregulated gener- – well, let me come
16 back to Virginia. All these blue boxes here
17 [indicating] are generating plants in Virginia, a
18 little bit over 21,000 megawatts, and it's all
19 types. We have nuclear reactions – four reactors
20 in Virginia. They're actually sister plants to
21 Summer Unit 1. Exact sister plants. Same vintage.
22 Our North Anna Power Station, same timeframe, same
23 exact technology as Summer 1. Very experienced
24 nuclear operators, very good fleet operations. In
25 New England – well, we have a gas-fired power plant

1 – well, just to finish. I'm sorry. There's hydro-
2 plants. We have the world's largest pumped storage
3 facility that we own. We own 60 percent and
4 operate all of it. It's in the Virginia mountains,
5 called Bath County. It's 3600 megawatts, or 3200
6 megawatts, of pumped storage – the traditional,
7 old-fashioned kind, with the mountaintop reservoir,
8 penstocks through the mountains, and then the
9 water's collected in a lower reservoir and then
10 pumped back up. World's largest, and that was
11 built in the 1960s and went into operation in the
12 '70s.

13 And then we have gas-fired power plants
14 [indicating]. When I first started with the
15 company about 23 years ago, we had – 55 percent of
16 our power came from coal. It's now about less than
17 20 percent. Natural gas has grown from near
18 nothing to about 35 percent. We have built three
19 very large gas-fired power plants in the State, in
20 the last five years. We have another one under
21 construction now, which will be 1600 megawatts of
22 power, down here in the southern part of the State.
23 So, between coal – excuse me – between our nuclear
24 production and our natural-gas-fired production,
25 it's close to about 80 percent of the power in the

1 State, comes from those two sources, natural gas
2 and nuclear. We have a gas-fired power plant
3 outside of Philadelphia. This is our merchant –
4 this is nonregulated, so it's merchant margins,
5 merchant fleets. We have, in Connecticut, a
6 biofuel facility, largest in the country, 15
7 megawatts. We have a solar farm there. And then
8 we have two – a nuclear facility; it's the largest
9 generating facility in New England, produces a
10 little bit over half of Connecticut's power. It's
11 called Millstone Power Station; it's in Waterford,
12 Connecticut. And then we have a gas-fired power
13 plant in Rhode Island.

14 So, we're in the same business as SCANA,
15 exactly. We create electricity, we deliver it over
16 transmission lines – which are these lines here
17 [indicating] you see. You can barely see them, in
18 yellow. And then we deliver it through
19 distribution lines in Virginia, North Carolina.
20 And we transport and distribute natural gas, just
21 like SCANA's businesses.

22 One last thing you can see here [indicating],
23 our pipeline business in South Carolina – these
24 black lines here – 75 percent of the State where we
25 have facilities. And then this orange line here

[indicating] is a pipeline that we're in the last stages of being permitted, called the Atlantic Coast Pipeline. It's about a 600-mile pipeline that will run from Central West Virginia down through Virginia. A little stub here goes into what we call the Hampton Roads area of Virginia. Your Lowcountry is, frankly, much nicer, prettier, but we call it the Tidewater area of the State. And then this portion of the pipeline runs down through North Carolina. It stops right near the town of Lumberton, about 15 miles from the South Carolina line. We own – we will be the operator. We are the developer. We own 48 percent of it. Duke Energy owns 47 percent of it, and Southern Company owns the balance of 5 percent. We're in the very last stages of the permitting. Should be under construction – the first visible signs of that should probably come next week, and then – but the actual construction, we still need several state permits. We won't be able to start construction until those permits come.

Finally, I'll stop with this slide. This purple box here [indicating] is called Cove Point. It is an LNG liquefaction facility where we will liquefy natural gas and export it under 20-year

1 contracts to Japan and India. This is a dedicated
2 pipeline that comes here. That is in its final
3 commissioning phases.

4 And I'll come back [indicating]. I think
5 there's one or two more slides here.

6 [Reference: Presentation Slide 16]

7 These are our assets in South Carolina. We've
8 got 1500 miles of pipelines; we're in 32 counties,
9 about 75 percent of the counties in the State.

10 This color coding here at the bottom is
11 expansions that we've undertaken of that pipeline
12 system in South Carolina, since, and then we're in
13 Jasper and Ridgeland, counties with the solar farms
14 – one of them, quite large. This 71 megawatts is a
15 very large solar farm, in that county.

16 As I mentioned to you earlier, about three-
17 quarters of a billion dollars we've invested so far
18 in the State.

19 [Reference: Presentation Slide 17]

20 The company, together, would look like this.
21 We'd have about 20,000 employees. SCANA has about
22 5000. You see the – I'm on Slide 17. I'm sorry.
23 Regulated, we have a little over 3 million electric
24 customers, or accounts: 3.2 million gas customer
25 accounts. Generation capacity of – we would have –

1 Dominion has 26,000. When you include our two
2 fleets, we've got a 1600 megawatt plant that will
3 be finished at the end of this year, so it'd be
4 close to 28,000, and you can see SCANA has about
5 6000 megawatts; 32,000 total. Market cap would
6 make us about \$60 billion – this is based at the
7 end of the year. Enterprise value of \$105 billion.

8 The advantage for – and that would be the
9 footprint; you see the geographic footprint of the
10 combined company [indicating] in the East there.

11 [Reference: Presentation Slide 18]

12 And then these are the various approvals that
13 are required. Let me turn this off so we don't get
14 too much squawking [indicating].

15 Obviously, South Carolina, you can see the
16 petition for that will be filed tomorrow here.

17 SCANA shareholder vote, that's their annual
18 meeting date. I believe it's scheduled there in
19 May. Dominion shareholders do not have to approve
20 the transaction; SCANA's do.

21 North Carolina Commission, because of PSNC,
22 the local gas distribution company that SCANA owns.

23 The Georgia Public Service Commission, because
24 of the energy gas marketing company they have in
25 Georgia.

1 FERC, NRC has to approve the transfer of the
2 license of Summer 1 to Dominion Energy.

3 Hart-Scott-Rodino. And you can see the dates
4 that we intend to file all the various proceedings
5 starting here in South Carolina.

6 That's the end of our joint presentation, I
7 believe, Jimmy, unless you have –

8 **MR. JIMMY E. ADDISON [SCANA]:** No, that's it.

9 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
10 – something else?

11 **MR. JIMMY E. ADDISON [SCANA]:** We're glad to
12 take your questions.

13 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
14 Happy to answer any questions.

15 **CHAIRMAN WHITFIELD:** Okay. Well, thank you
16 two for your presentation. And, Mr. Addison, if
17 you have nothing further to add at this time, we
18 will take Commissioner questions at this time.

19 Commissioner Hamilton.

20 **COMMISSIONER HAMILTON:** Mr. Addison.

21 **MR. JIMMY E. ADDISON [SCANA]:** Yes, sir.

22 **COMMISSIONER HAMILTON:** If you could, tell me
23 about the tax credits. I believe, if the merger
24 goes forward, the \$2.2 billion tax rebate that
25 we've been talking about for some time?

1 **MR. JIMMY E. ADDISON [SCANA]:** Yes, sir. It's
2 about \$2 billion, in total, of tax deductions that
3 would result from taking the abandonment, and
4 that's real important to – that was important to
5 SCANA on a standalone basis and it's very important
6 in Dominion's plan, as well. So, we're doing
7 everything to protect that tax deduction.

8 **COMMISSIONER HAMILTON:** At the full amount?

9 **MR. JIMMY E. ADDISON [SCANA]:** Yes, sir.

10 **COMMISSIONER HAMILTON:** Okay. I got confused
11 on some other information I saw that I thought was
12 different from that, but I'm happy to hear that
13 it's to be, still.

14 **MR. JIMMY E. ADDISON [SCANA]:** It is the same
15 amount. It may be a different time period that
16 they would realize the benefits, just because of
17 their tax position, but all these benefits would be
18 realized and passed on to customers.

19 **COMMISSIONER HAMILTON:** At the same time
20 talking about that, we've talked a lot about the
21 license, the nuclear license. How do we stand on
22 that?

23 **MR. JIMMY E. ADDISON [SCANA]:** Sir, we have
24 indicated to the NRC that we would like to
25 relinquish our license in order to take advantage

1 of that very tax deduction. We understand Santee
2 has an interest in preserving their options, and
3 we're trying to work very cooperatively with Santee
4 to accomplish both goals. And Santee sent us a
5 copy of the letter earlier this week where they've
6 asked the Nuclear Regulatory Commission to delay
7 any decision for six months, just to give more time
8 to that decision. But Jim Brogdon, from Santee,
9 and I are both dedicated to working very well
10 together with each other to try to mutually
11 accomplish our goals.

12 **COMMISSIONER HAMILTON:** Mr. Farrell, does
13 Dominion have any aspirations of this license being
14 held?

15 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
16 No, sir.

17 **COMMISSIONER HAMILTON:** You have none
18 whatsoever.

19 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
20 No, sir.

21 **COMMISSIONER HAMILTON:** Thank you, sir. I
22 don't know if both of you are aware of the fact
23 that at our last Commission Meeting some time ago,
24 we asked ORS to perform a study for us of the
25 financial conditions of SCANA, to balance the needs

1 of the policyholder_[sic] versus the reliability of the
2 company. And I assume this is still going on and
3 will still be important to this Commission to see
4 that information.

5 **MR. JIMMY E. ADDISON [SCANA]:** Yes, sir. We
6 are complying with any associated requests.

7 **COMMISSIONER HAMILTON:** Okay. Thank you. I
8 think a lot of questions have arisen today, and I
9 don't want to hold the stage, so, Mr. Chairman, I
10 appreciate the time.

11 **CHAIRMAN WHITFIELD:** Thank you, Commissioner
12 Hamilton.

13 Commissioner Randall.

14 **VICE CHAIRMAN RANDALL:** Thank you, Mr.
15 Chairman.

16 Thank you, gentlemen. Mr. Farrell, just – you
17 put a lot of emphasis on what Dominion's bringing
18 to the table and the pluses for South Carolina.
19 What's going to be the plus for Dominion, if you
20 can expand on that a little bit?

21 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
22 Yes, sir. When you look at this very difficult
23 problem that I'm sure everybody here wishes it could
24 just go away, but it can't, SCANA has over \$3
25 billion of debt on its balance sheet associated with

1 the construction that has to be repaid. So we took
2 a look at it, and we – I'm very pleased you asked
3 the question, Mr. Vice Chairman, because we took a
4 look at it and said we had to come up with a – how
5 do we balance these competing interests? So you have
6 the interests of the customers. Paramount. Very
7 valid. And policymakers, associated with the
8 interests of the customers. That's a very important
9 interest that has to be accommodated as best we can.

10 A second interest is, there's no escaping the
11 fact that SCANA is a private company that's held in
12 the public markets and has shareholders. Two-
13 thirds – and they can't be forced to sell the
14 company. Two-thirds of their customers – of their
15 shareholders have to approve of a combination with
16 another company, under their charter.

17 And then third are the Dominion, you know,
18 interests. If we're going to come and bring – put
19 our – put this offer forward, this proposal
20 forward, to the extent that it puts us on negative
21 watch to help solve the problem of these other two
22 constituents, there's something in it, obviously,
23 for Dominion shareholders, or I probably wouldn't
24 have my job. Or wouldn't have it for very long.

25 It is our hope and expectation that – it all

1 depends on how well we bring this together.

2 Obviously, it's conditioned upon your approval and
3 your accepting of our proposed regulatory program,
4 which you'll see in the petition tomorrow, which we
5 have described at least somewhat in the press. So
6 depending upon how it all works out, it should – we
7 expect it to be additive to our earnings profile
8 over time. But it all has to work properly for
9 that to happen. We expect it to, though. We are
10 good operators. We can always improve. We will
11 try our very best, but it certainly is an
12 expectation that there will be an addition to
13 Dominion's earning streams out of it.

14 So you had to try to balance and accommodate
15 all three of these interests. The normal
16 conversation that you would have in a combination
17 between two public companies like – publicly traded
18 but private companies, is, "What value will
19 transfer to shareholders?" That would be the
20 conversation. There wouldn't be this other leg of
21 the conversations, "What value has to be
22 transferred to customers?" In the first transfer
23 of value here, almost \$12 billion of value, when
24 compared to the alternative – one of the
25 alternatives – is a refund, the largest in history

1 to utility customers, history of the United States,
2 \$1.3 billion in cash up front, and then these
3 reductions that are subsidized in the shortening of
4 the period, along with all the other benefits. I
5 hope that answers your question.

6 **VICE CHAIRMAN RANDALL:** Thank you.

7 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
8 Thank you.

9 **VICE CHAIRMAN RANDALL:** Thank you, Mr.
10 Chairman.

11 **CHAIRMAN WHITFIELD:** Thank you, Commissioner
12 Randall.

13 Commissioner Howard.

14 **COMMISSIONER HOWARD:** Mr. Farrell, what
15 percentage of your generation is in an RT0.

16 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
17 One hundred percent – well, here's –

18 **COMMISSIONER HOWARD:** Electric production.
19 Electric production. Let me rephrase it.

20 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
21 Yes, sir. I should be completely thorough in the
22 answer. Our assets that are in New England are in
23 NEPOOL, that RT0. Then our assets that serve our
24 regulated customers in Virginia and North Carolina
25 are yes and no. The North Carolina Commission did

1 not have any interest in joining an RT0, having
2 assets serving North Carolina customers in an RT0.
3 Virginia's legislature ordered us into an RT0 some
4 years ago.

5 So the same power plants, same electrons going
6 across the same power lines, but when they hit the
7 North Carolina border, they don't know it – those
8 electrons – but they're not in an RT0 anymore. So,
9 economically, North Carolina is divorced from what
10 is the RT0 that Virginia's assets are in: PJM.

11 **COMMISSIONER HOWARD:** Well, any of your, let's
12 say, regulated market, what is the growth rate of
13 that market?

14 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
15 In our Virginia market?

16 **COMMISSIONER HOWARD:** Or – yeah, uh-huh.

17 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
18 It's a – sales growth for us last year was about 1½
19 percent.

20 **COMMISSIONER HOWARD:** All right. Thanks, very
21 much. Appreciate it.

22 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
23 Yes, sir. But could I just –

24 **CHAIRMAN WHITFIELD:** Yes, sir, follow-up?
25 Yes, sir.

1 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**

2 I would not expect – depending on what the
3 Commission here wanted, but I wouldn't have any
4 expectation based on what I've seen and read that
5 the SCE&G assets would go into an RT0 – unless that
6 was the wish of the Commission.

7 **COMMISSIONER HOWARD:** Who would make that
8 decision?

9 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
10 You all.

11 **COMMISSIONER HOWARD:** Okay. Thank you.

12 **CHAIRMAN WHITFIELD:** Thank you, Commissioner
13 Howard.

14 Commissioner Elam.

15 **COMMISSIONER ELAM:** Good afternoon. I guess
16 Mr. Farrell started out talking about the 20-year
17 period of the charge, as opposed to 50 years. And
18 as I was understanding your chart, the reduction
19 from 50 years to 20 would be the \$8.4 billion
20 savings, and that would be just financing costs
21 over the 30-year difference?

22 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
23 You're talking about this chart here?

24 [Reference: Presentation Slide 8]

25 **COMMISSIONER ELAM:** Yes. I think I am.

1 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**

2 I'm on – what is that, eight?

3 **MR. JIMMY E. ADDISON [SCANA]:** Eight.

4 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**

5 Yeah. I think I'll get this correct. It is the
6 actual rates that – payments that would be made
7 from customers to SCE&G over the 60-year period
8 versus 20 years, so I think that's right.

9 **MR. JIMMY E. ADDISON [SCANA]:** That's right.

10 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**

11 So the \$8.4 billion is, if you did the August 1
12 status quo –

13 **COMMISSIONER ELAM:** Uh-huh.

14 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**

15 – compared to Dominion's proposal, the difference
16 is, if you stayed with the status quo, SCE&G's
17 customers, South Carolinians, would pay \$8½
18 billion, or \$8.4 billion more over the years than
19 by shortening to 20.

20 **COMMISSIONER ELAM:** Okay. In that 20 years,
21 though, the customers would, in essence, be paying
22 more per month than they would under a 50-year
23 plan. That correct?

24 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**

25 I don't think that's correct.

1 **COMMISSIONER ELAM:** Okay.

2 **MR. JIMMY E. ADDISON [SCANA]:** So if I could
3 weigh in on that? Compared to our 50-year plan
4 that we proposed mid-November, no, they would be
5 paying less here because they're offering a larger
6 rate decrease initially: 5 percent versus 3½.

7 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
8 And which is subsidized with \$575 million in cash
9 refunds to be made monthly.

10 **COMMISSIONER ELAM:** The 3½ percent, did that
11 include the projected tax savings?

12 **MR. JIMMY E. ADDISON [SCANA]:** Yes.

13 **COMMISSIONER ELAM:** It did?

14 **MR. JIMMY E. ADDISON [SCANA]:** Oh, you mean
15 from tax reform?

16 **COMMISSIONER ELAM:** Right.

17 **MR. JIMMY E. ADDISON [SCANA]:** Oh, sorry. No,
18 it did not. I'm sorry, I thought you were
19 referring to Commissioner Hamilton's questions
20 about the tax deduction.

21 **COMMISSIONER ELAM:** Okay.

22 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
23 It's confusing when taxes get involved.

24 **MR. JIMMY E. ADDISON [SCANA]:** No, it had not
25 been enacted until —

1 **COMMISSIONER ELAM:** Right.

2 **MR. JIMMY E. ADDISON [SCANA]:** – a few months
3 ago.

4 **COMMISSIONER ELAM:** Will the amount that
5 customers are, in essence, paying down per month,
6 will that decrease over the term of the 20 years,
7 or the balance decreases?

8 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
9 Both. The balance decreases, because you're
10 reducing it from 60 to 20, and the way it will work
11 – we didn't show it on this chart because it's
12 confusing. So –

13 [Reference: Presentation Slide 9]

14 – let me try to give it to you. It will be in
15 the – you'll see the detail in the filings where we
16 can explain it. I'm not an accountant.

17 **COMMISSIONER ELAM:** I'm not, either.

18 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
19 I apologize for that. So I get this pretty close
20 to accurate.

21 **COMMISSIONER ELAM:** Okay. I pretend a lot,
22 too.

23 [Laughter]

24 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
25 Well, it's not pretending, but it's the best I can

1 do, from my level of expertise. But if I were to
2 draw it on a chart for you, think of a 20-year
3 period, and you start out at \$25 a month, just
4 looking at the nuclear piece of it, \$25 a month.
5 So after the Commission approves the merger and we
6 close, rates would be reduced by about – it's like
7 \$7.50 [indicating]. Seven dollars and fifty cents
8 [\$7.50] a month. We show \$7 on here, but \$7.50 a
9 month. So you drop the rate immediately. That
10 will be – to effectuate that, the way the math
11 works, that we will fund with refunds: \$575
12 million.

13 So the actual rate stays the same as it was,
14 but you are getting the effect of a 5 percent rate
15 reduction because of these refunds, \$575 million in
16 refunds. We do it that way because we need the
17 cash flow to keep our credit ratings in the
18 combined company.

19 Then what happens when you get to year eight,
20 that's just when the amortization of what's left in
21 the rate starts catching up with the subsidy. This
22 is why I can – I'm losing myself here, but so you
23 go – you'll start reducing from that \$7.50, which
24 is probably going to be more when you get all of
25 the federal tax reduction into the rates, which as

1 soon as we know what it is, will happen. Then it
2 will go down every year. So the total left goes
3 down every year over the 12 years. So you'll get
4 to year eight, stable until year eight, and then it
5 goes down every year after that until it gets to
6 zero.

7 **COMMISSIONER ELAM:** Will there be those tax
8 savings even if SCE&G is not earning its approved
9 return on equity?

10 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
11 I assume so, yes, sir, because it's in the rates.
12 This rate structure we're talking about, there's a
13 specific proposal that you will see in the filing
14 tomorrow that lays all this out in detail for you.

15 **COMMISSIONER ELAM:** Okay. Well, will the
16 assumed return on equity on the recovery of this
17 plant always be the same as the company's overall
18 approved return on equity?

19 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
20 I believe, sir. It will be in the detail. But I
21 believe it's set at 10.25 percent for this portion
22 of the bill, over the balance of the 20 years
23 [indicating]. I got that right; they're nodding
24 their heads.

25 **MR. JIMMY E. ADDISON [SCANA]:** And if I could

1 append to that, if you consider the billion-seven
2 that's being written off and absorbed upfront, the
3 overall return, considering that billion-seven
4 that's never earned, is more like 7 percent.

5 **COMMISSIONER ELAM:** Okay. Hypothetically,
6 could the Commission set a lower return on equity
7 for that investment than the overall return?

8 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
9 I think that would make it – I think that would be
10 – fall into being an insurmountable obstacle to us
11 going ahead with the transaction.

12 **COMMISSIONER ELAM:** Any –

13 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
14 And –

15 **COMMISSIONER ELAM:** – fraction off that would
16 be insurmountable?

17 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
18 It would all depend on how the rest of it all
19 looked. It could be, is what I'm trying to
20 express.

21 **COMMISSIONER ELAM:** In that vein, I believe
22 I've heard you say that the deal depends on the
23 BLRA staying in place. Is that the total Act, or
24 specific pieces of it?

25 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**

1 Certainly, I don't believe – I should caveat the
2 rest of this answer with the opening phrase, which
3 is, we'd have to look at the language –

4 **COMMISSIONER ELAM:** Okay.

5 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
6 – of whatever action was taken by the Assembly.
7 But I don't believe a prospective elimination of
8 the BLRA, meaning no other – in the future – no
9 other power plant could come in and use these
10 provisions, I don't think that would have any
11 effect on this combination.

12 **COMMISSIONER ELAM:** Okay. So is it just the
13 abandonment provision?

14 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
15 I'm sorry, I don't want to – I may not get the
16 answer exactly right. I don't want to say anything
17 that would be incorrect. It is – I will say it
18 this way – the answer may be yes, but I'll say it
19 in my own words, if that's okay.

20 **COMMISSIONER ELAM:** Okay.

21 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
22 Which is, the portion of the law that will allow
23 you to adopt this rate proposal, that allows the
24 recovery over the 20-year period with these rate
25 reductions in it, and rate subsidies, and the

1 upfront payment, would have to survive.

2 **COMMISSIONER ELAM:** Okay.

3 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**

4 I think that's –

5 **MR. JIMMY E. ADDISON [SCANA]:** Right.

6 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**

7 I'm not sure any other part of it would have to –

8 **MR. JIMMY E. ADDISON [SCANA]:** Right.

9 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**

10 – other than that. But I'm afraid I don't know

11 every element of – every single element of the

12 BLRA.

13 **COMMISSIONER ELAM:** I won't hold you to that.

14 What is Dominion's approved ROE in Virginia now?

15 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**

16 In our base rates?

17 **COMMISSIONER ELAM:** Yes.

18 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**

19 It's about 9.2 – or, excuse me – 10, and in our

20 riders it's 9.2, and most of the riders get a 100-

21 basis-point adder. So it's just about the same as

22 what you have in your BLRA for Summer 2 and 3, the

23 same sort of mechanism for building new power

24 plants, for example.

25 **COMMISSIONER ELAM:** Okay. Those are –

1 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
2 I believe I said that correctly [indicating]. Yes.

3 **COMMISSIONER ELAM:** Those are the rate
4 adjustment clauses?

5 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
6 Yes, sir.

7 **COMMISSIONER ELAM:** Okay.

8 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
9 We call them riders.

10 **COMMISSIONER ELAM:** Okay. You talked a little
11 bit about the solar farms you have in South
12 Carolina. What are the company's – what's the
13 company's long-term vision for building renewables?

14 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
15 Our customers want renewables. And we think it's
16 important that we meet the needs and desires of our
17 customers. We've done some very, very innovative
18 programs in our Virginia service territory, in
19 particular, but also in our North Carolina service
20 territory where we've built quite a lot of solar.
21 For example, we entered into a special contract
22 provision with Amazon, was one party, the State of
23 Virginia was another party – Dominion was the third
24 party – to allow Amazon to get 100 percent
25 renewable power from the solar farm, 80 megawatt

1 farm. And the benefits, they didn't want the value
2 of the credits, so they – but they took them and
3 sold them into the PJM market. We've done another
4 one with Facebook and brought a data center to
5 central Virginia – it was a 200 megawatt solar farm
6 – through a negotiated contract there.

7 At the same time, we are putting in place – we
8 filed a special tariff seeking permission from our
9 commission to utilize this tariff, several. One
10 would be a renewable tariff for large industrial
11 customers who want to get 100 percent of their
12 power from renewable sources. And then one is for
13 residential customers. So, often you see these –
14 well, you all – excuse me, I forget. I apologize.
15 I'm talking to you all that know a lot more about
16 this than I do. But you often see these rate
17 structures where – tariff structures, rather –
18 where they say it's a renewable tariff, but there's
19 tax credits involved, you know, there's renewable
20 energy credits, RECs, involved in it somehow,
21 because the sun doesn't shine every minute of the
22 day, et cetera. We've constructed a tariff in
23 Virginia that will be actually 100 percent actual
24 renewably – electricity produced from renewable
25 sources, that we have put in front of our

1 commission now.

2 Our customers want them. We have built over
3 2700 megawatts of solar in just the last four
4 years. We're committed to it.

5 **COMMISSIONER ELAM:** Okay. And is the majority
6 of that the California/Utah?

7 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
8 I would say, again, to be accurate about it, it's
9 close to 1000 megawatts in Virginia and North
10 Carolina, serving our utility customers.

11 **COMMISSIONER ELAM:** Okay. Do you have any
12 targets for a percentage of your generating
13 portfolio that you would like to see renewables hit
14 in five years, ten years?

15 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
16 What we'd like to do – our view of this, sir, is
17 you have to balance reliability, cost, with your
18 sustained – your impact on the environment. Those
19 three things, we think, have to be balanced. And
20 what we have made a long history of doing is
21 working with our commission, both in North Carolina
22 and in Virginia – we don't have electric assets in
23 Utah or Wyoming, just in our regulated states,
24 Virginia and North Carolina. We file an annual IRP
25 – Integrated Resource Plan, for those who don't

1 know what I'm talking about, which I know is not
2 you – which we lay out the next 15 years, various
3 scenarios of how you could accomplish meeting the
4 needs of our customers as they grow over that time.
5 It's all different kinds of approaches. It could
6 be – we have one that looks like probably we'll be
7 building up to 5000 megawatts of solar farms for
8 Virginia customers over the next 15 years, for
9 example.

10 **COMMISSIONER ELAM:** You –

11 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**

12 But there's no set goal. Excuse me for
13 interrupting. It's working with the commission in
14 balancing these three interests.

15 **COMMISSIONER ELAM:** Do you have any plans for
16 utility-scale storage?

17 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**

18 We are looking hard at storage, as I think all
19 utilities are. It's sort of the Holy Grail for
20 renewable power, is to find really effective,
21 reliable storage at scale. But we have not found
22 it, to date, sir.

23 **COMMISSIONER ELAM:** Mr. Addison, how many
24 employees work at the SCANA campus in Cayce?

25 **MR. JIMMY E. ADDISON [SCANA]:** I would say

1 around 900 or so.

2 **COMMISSIONER ELAM:** How many work at Summer
3 Unit 1?

4 **MR. JIMMY E. ADDISON [SCANA]:** Seven to eight
5 hundred. Of course, it ramps up significantly
6 during a refuel outage.

7 **COMMISSIONER ELAM:** Okay. And I've seen the
8 promise of retaining jobs for two years. And what
9 I'm interested in is beyond that. Mr. Farrell,
10 something you said struck me that you have the
11 identical reactor design in Virginia that they have
12 at Summer 1.

13 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
14 [Nodding head.]

15 **COMMISSIONER ELAM:** Would we expect, after two
16 years, to see further job reductions in Fairfield
17 County?

18 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
19 The – one of the things – I'm a lawyer by
20 background. My father was an engineer, and so –
21 and soldier. But, so I learned some aspects of it
22 through just growing up. But I've learned in the
23 utility industry not to mess around too much with
24 staffing of nuclear power plants. It's very
25 important that they be fully sustained, capital

1 support and the necessary staffing, to ensure
2 reactor safety.

3 **COMMISSIONER ELAM:** Can you say the same for
4 customer service people?

5 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
6 You know, it's obviously a very important question,
7 and I think to say it more precisely, what we've
8 done is said we will – for the next – through the
9 end of 2019, until 2020, individuals employed by
10 SCANA today will be employed or have all the same
11 benefits in pay as if they were here through 2020.
12 We will have to work through, together, the best
13 manning or staffing – to use a more appropriate
14 word – but I think you'd see much less will be
15 happening at operational levels, meaning we're not
16 going to, for example, we're not going to bring a
17 lineman down from Virginia or North Carolina to
18 help put the lights back on in South Carolina.

19 **COMMISSIONER ELAM:** Right.

20 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
21 So as you go more toward the corporate overhead,
22 office, that's where you'd be more likely to see
23 things.

24 **COMMISSIONER ELAM:** Mr. Addison, you have said
25 – you said that SCE&G, SCANA, tried very hard to

1 find buyers for the company over the course of the
2 past few months. Correct?

3 MR. JIMMY E. ADDISON [SCANA]: No.

4 COMMISSIONER ELAM: Okay.

5 MR. JIMMY E. ADDISON [SCANA]: I didn't –

6 COMMISSIONER ELAM: Oh, I'm –

7 MR. JIMMY E. ADDISON [SCANA]: – mean to imply
8 that.

9 COMMISSIONER ELAM: All right. I'm sorry.

10 MR. JIMMY E. ADDISON [SCANA]: We tried very
11 hard to find a solution –

12 COMMISSIONER ELAM: Okay.

13 MR. JIMMY E. ADDISON [SCANA]: – for this
14 abandonment, on our own.

15 COMMISSIONER ELAM: Okay. And can you give me
16 an idea of the range of solutions you looked at?

17 MR. JIMMY E. ADDISON [SCANA]: Well, I guess
18 the two bookends of that were the filing we made on
19 August 1st, under the literal reading of the BLRA
20 law, at least as we read it, and the proposal we
21 made on November 16th, with the free power plant,
22 rate reduction, et cetera. So those were the
23 bookends, and we looked at various analyses in
24 between before we made that November proposal. But
25 that was our, as I've said, putting our best foot

1 forward.

2 **COMMISSIONER ELAM:** And part of that is,
3 obviously, consistent with this proposal, selling
4 the company. In very general terms.

5 **MR. JIMMY E. ADDISON [SCANA]:** Right, I'm not
6 sure I understand the question. So we didn't seek
7 that out.

8 **COMMISSIONER ELAM:** Okay.

9 **MR. JIMMY E. ADDISON [SCANA]:** Mr. Farrell
10 approached us.

11 **COMMISSIONER ELAM:** Okay.

12 **MR. JIMMY E. ADDISON [SCANA]:** And it's the
13 only proposal we received.

14 **COMMISSIONER ELAM:** Okay. Did you ever look
15 at selling the debt?

16 **MR. JIMMY E. ADDISON [SCANA]:** Yeah, our debt,
17 all of our long-term debt – substantially all of
18 our debt, 90-plus percent – has what's known as
19 make-whole provisions. So, if you retire the debt
20 early, you've got to, essentially, pay the vast
21 majority of the interest that would've been paid
22 over time, at that point. That's been demanded by
23 the markets in the last few years because we're in
24 the lowest interest-rate environment, at least in
25 my lifetime, and I think everybody's in this room.

1 So investors that are putting money in for 30 to 50
2 years, in our case, were demanding that they be
3 able to get those – know they're going to get those
4 returns and not just be refinanced on the short
5 run. So it really wasn't economic to, quote, "sell
6 the debt." You've got to pay the interest anyway.

7 **COMMISSIONER ELAM:** You didn't look at
8 securitizing the unrecovered assets at Summer?

9 **MR. JIMMY E. ADDISON [SCANA]:** We did explore
10 that in concept. It's just, because of the
11 economics of paying the make-wholes on the debt,
12 you're going to incur the interest you were going
13 to incur, plus you're going to incur the new
14 interest on the securitized debt, as well.

15 **COMMISSIONER ELAM:** I'm sorry, just one
16 moment.

17 [Brief pause]

18 That's all I have. Thank you.

19 **CHAIRMAN WHITFIELD:** Thank you, Commissioner
20 Elam.

21 Commissioner Bockman.

22 **COMMISSIONER BOCKMAN:** Thank you, Mr.
23 Chairman.

24 Good afternoon, gentlemen. Mr. Farrell, on
25 your page 18 of the slides, which is "Key approvals

1 and estimated filing dates,” that you shared with
2 us –

3 MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:
4 [Indicating.]

5 [Reference: Presentation Slide 18]

6 COMMISSIONER BOCKMAN: – these are the key
7 approvals. Are there others?

8 MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:
9 I don’t believe so.

10 COMMISSIONER BOCKMAN: Will you be filing a
11 registration statement with the SEC?

12 MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:
13 I don’t know the answer to that question.

14 MR. JIMMY E. ADDISON [SCANA]: Yeah, we will.

15 MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:
16 Yes, we will.

17 COMMISSIONER BOCKMAN: Do you know when you
18 would be doing that? Mr. Addison, perhaps maybe
19 you know?

20 MR. JIMMY E. ADDISON [SCANA]: I don’t know,
21 specifically. I suspect some of our attorneys
22 know, that are in the room.

23 MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:
24 March. Sounds like March.

25 COMMISSIONER BOCKMAN: Does the SEC have to

1 approve this transaction?

2 MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:

3 No, sir.

4 COMMISSIONER BOCKMAN: How about the Federal
5 Trade Commission?

6 MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:

7 No, sir.

8 COMMISSIONER BOCKMAN: Justice?

9 MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:

10 No, sir. FERC does, and Hart-Scott- – well, Hart-
11 Scott-Rodino.

12 COMMISSIONER BOCKMAN: Would be –

13 MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:

14 Yes, sir.

15 MR. JIMMY E. ADDISON [SCANA]: FTC, right.

16 COMMISSIONER BOCKMAN: Yes. How long do you
17 think it will take to secure these key approvals?

18 MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:

19 We are hopeful that, assuming the various approving
20 agencies thought it was a good idea to go ahead
21 with it and approved it, we'd hopefully close
22 during the third quarter.

23 COMMISSIONER BOCKMAN: Close in the third
24 quarter and have these approvals secured by that
25 time.

1 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
2 Yes, sir. So the refund checks could be coming to
3 the customers this year.

4 **COMMISSIONER BOCKMAN:** How confident are you
5 that you will be able to secure all of these
6 approvals.

7 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
8 I'm not completely familiar with all the rules that
9 you all have, but I heard the lawyer from ORS – I
10 just want to make sure that I don't say something
11 I'm not supposed to. I am, personally, confident
12 that we will get the approvals, because I think
13 it's a fair resolution of a very, very difficult
14 problem.

15 **COMMISSIONER BOCKMAN:** In your due diligence,
16 I'll call it that – it may not be the exact term
17 that you would use – in your assessment of this
18 transaction, you're aware that there are a number
19 of pending lawsuits concerning the abandonment and
20 the consequences of that. How has your company
21 evaluated the risk of that litigation?

22 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
23 You'll see there's provisions about those in the
24 merger agreement, that you can see, sir, and I
25 don't want to try to restate them because they are

1 very precisely worded. But we certainly have taken
2 those into account.

3 **COMMISSIONER BOCKMAN:** And the investigations
4 that the U.S. Attorney's office, the Attorney
5 General's office might be conducting?

6 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
7 We are aware of them, yes, sir.

8 **COMMISSIONER BOCKMAN:** Okay. Are you aware
9 that we have a proceeding before this Commission,
10 which the ORS has initiated, which may have some
11 effect on the rates here? You are aware of that?

12 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
13 Yes, sir.

14 **COMMISSIONER BOCKMAN:** Okay. And you have
15 factored that in, as well?

16 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
17 Yes, sir.

18 **COMMISSIONER BOCKMAN:** And that relief that
19 ORS requests could be parallel to a retroactive
20 application of the General Assembly's action in,
21 perhaps, amending or changing dramatically the Base
22 Load Review Act. And if that's a – if a change in
23 the General Assembly – in a retroactive application
24 of an amendment, say, that you would disfavor in
25 the Base Load Review Act, if this Commission were

1 to grant the relief that the ORS has requested, how
2 would that affect this transaction?

3 MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:
4 I think it would make it, probably, insurmountable
5 to close it.

6 COMMISSIONER BOCKMAN: We'll see the petition,
7 I guess, tomorrow, but on your page 18, there, you
8 basically offered us, it sounds like – or looks
9 like, in the one sentence, that last sentence there
10 – three alternatives, in terms of relief.

11 MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:
12 Uh-huh.

13 COMMISSIONER BOCKMAN: What's the difference,
14 in terms of the transaction?

15 MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:
16 Any one of the three. I understand that there has
17 been some debate from the parties who have appeared
18 before this Commission about what the jurisdiction
19 of the Commission is around mergers. I really – we
20 didn't want to engage in the debate. And we say
21 there are – and full sentences are in the merger;
22 this is sort of a summary of what's in the merger
23 agreement itself. But if it is within the
24 jurisdiction of the Commission and you all find
25 that, then we'd ask you to approve it. If, for

1 some reason – and I’m not entering into the debate;
2 I’m just saying I’ve heard of this debate – that
3 the Commission feels like it does not have the
4 jurisdiction, we’d hope that you’d find that it’s
5 in the public interest or causes no harm to the
6 public interest, as an alternative.

7 **COMMISSIONER BOCKMAN:** So you would have no
8 preference. Any one of those alternatives would be
9 satisfactory.

10 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
11 Any one of those three alternatives would not
12 prohibit a closing of the transaction.

13 **COMMISSIONER BOCKMAN:** Mr. Farrell, I have a
14 slightly different question. On page 13 of your
15 slides, which is “Dominion Energy *Who we are*,” your
16 identification of who you are –

17 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
18 [Indicating.]

19 [Reference: Presentation Slide 13]

20 **COMMISSIONER BOCKMAN:** – the mission statement
21 that you make there at the bottom of that page,
22 “Serve our customers safely and reliably,” I don’t
23 see in that mission statement any expression of
24 serving your customers efficiently or economically.
25 How does that – where does that factor into your

1 mission?

2 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**

3 We have among the lowest rates in the country. And
4 if you compare our O&M costs per customer, in
5 kilowatt-hours, for all the various elements you
6 can look at, you will see that they are among the
7 lowest in the United States.

8 We take that responsibility very seriously.
9 Our rates are well below the national averages.
10 And I just – that's assumed in the culture of our
11 company, as a part of our four values, which
12 include excellence to provide low-cost, reliable,
13 safe service to our customers. That is a hallmark
14 of our company's history.

15 **COMMISSIONER BOCKMAN:** Well, you might want to
16 – I wouldn't suggest to you, but, you know, you
17 might consider including that, perhaps, in your
18 mission statement to make it clear to us and your
19 prospective customers, if that comes to pass.

20 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**

21 Commissioner, I will talk to my folks about that as
22 we are departing.

23 **COMMISSIONER BOCKMAN:** It's not my business to
24 be offering up suggestions, Mr. Farrell, but I
25 thought it may –

1 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
2 They may have heard you and I may not need to talk
3 to them.

4 **COMMISSIONER BOCKMAN:** Thank you, very much.

5 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
6 Thank you, Mr. Commissioner.

7 **CHAIRMAN WHITFIELD:** Thank you, Commissioner
8 Bockman.

9 Commissioner Fleming.

10 **COMMISSIONER FLEMING:** Well, unfortunately,
11 being in the position I am in, everyone has – all
12 of the questions I was planning to ask have been
13 all asked. And I was especially interested in how
14 you are dealing with renewables, which Commissioner
15 Elam asked you, since it seems like you're very
16 traditional with what you have in your portfolio
17 right now. But with those questions having been
18 asked, what I would like to hear from you, we've
19 heard what you're planning to do immediately and
20 then right away, but what would you envision for
21 South Carolina, say, 10 years from now, and how you
22 would – what kind of utility you would be in?

23 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
24 I think it would be – that's a wonderful question.
25 We are actively engaged in the states in which we

1 do business in economic development activities.
2 You have a very good record of that in South
3 Carolina, bringing new businesses here. An
4 important – critical, actually – part of that is
5 efficient, cost-efficient, reliable utility
6 service, both gas and electric. Absolutely
7 critical to economic development activities.

8 Part of what we hope, assuming that the
9 regulatory approvals are secured, if we start by
10 saying there's enormous uncertainty in South
11 Carolina right now over what's going to happen to
12 SCE&G, not only – I mean, will it even be viable as
13 an economic entity? We hope we can solve that
14 problem immediately, and get some relief to
15 customers almost immediately, within 90 days. But
16 we want to be an active, engaged citizen of this
17 State.

18 I think, actually, if you look at what we've
19 done with our pipeline expansions, just in two
20 years we've done several hundred million dollars' –
21 \$300 million – worth of pipeline expansions in the
22 State of South Carolina. We are very interested in
23 meeting our customers' needs. And we recognize the
24 very important part of that is sustainability,
25 environmental footprint, cost-efficiency. Scale

1 will help with that. SCE&G/SCANA is at a difficult
2 size to deal with many issues in the capital
3 markets. Particularly, now. It's in a very
4 difficult position now. Frankly, I think very,
5 very difficult, perhaps insurmountable, to deal
6 with on its own. I think that's Mr. Addison's – he
7 certainly can speak for himself.

8 So I think that – we're by no means perfect,
9 ma'am, not by any stretch of the imagination, but
10 we work very hard to be as excellent as we can be.
11 We have a long way to go to achieve that. We still
12 had 80-some people get hurt last year. I don't
13 know if it's 84 or 85, but it's one of those. We
14 need to get that to zero. We need to help people
15 expand the economies of their states.

16 I think the generation mix will probably look
17 quite different, today. But it all depends on what
18 the Commission wants, along with all the
19 stakeholders. We have some older gas plants in
20 this State, not as efficient as the new gas-fired
21 power plants, for example, that we are building
22 that are base-load power plants. That's why we're
23 35 percent gas-fired right now. That's an actual
24 production of electricity. We have base-load gas-
25 fired power plants.

1 But that's all a conversation that – you know,
2 our perspective is that's a conversation you have
3 with stakeholders that are very interested in how
4 electricity is generated, and ultimately the
5 Commission has to approve the different ways we go
6 about our business.

7 **COMMISSIONER FLEMING:** Having a Fortune 500
8 corporate headquarters in South Carolina has also
9 been a very – I think that SCE&G has played a very
10 big role in having that presence here. How will
11 you – what are you envisioning in terms of that,
12 maintaining that position –

13 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
14 Yes, ma'am.

15 **COMMISSIONER FLEMING:** – for South Carolina?

16 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
17 Yes, ma'am. We have committed that the
18 headquarters of SCE&G will stay in Cayce. And, you
19 know, we made a similar commitment in Utah, and I
20 don't know what the – I don't want to stray into
21 potential violations of rules, but I think if
22 people were to ask in Utah how they feel about us
23 as a corporate citizen, whether it's to the
24 political establishment or whoever else, I think
25 they would say we were very good corporate

1 citizens, and we've only been there two years.

2 We have agreed to increase the charitable
3 contributions that SCANA has been able to afford by
4 about 30 percent.

5 **COMMISSIONER FLEMING:** Okay. That's good.
6 And I want to go back to the renewables one more
7 time. I know you talked about what you've done
8 with Facebook and Amazon and the legislation that
9 had to be passed and worked out. South Carolina
10 has been a little slow coming to that, but I think
11 I could confidently say that the customer is really
12 enthusiastic about that and moving forward on that
13 front. But it means that the PSC and the General
14 Assembly would have to work together to, you know,
15 pass legislation to make some of those things
16 happen. And what role would you play in that part
17 of making things like that happen?

18 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
19 Ma'am, we view our job as to follow public policy,
20 but we do think it's an important part of our
21 responsibility to make sure the policymakers know
22 what all the various impacts are: cost, liability,
23 about the environmental gains, et cetera. That's
24 the role we think we should play is to provide as
25 much information as we can to the policymakers, and

1 them to make the policy decisions.

2 For example, one thing I didn't mention is we
3 are looking at – some of our policymakers are very
4 interested in us building an offshore wind farm.
5 This would be 26 miles off the coast of Virginia,
6 so it would not be – you would not be able to see
7 the turbines from the coastline. We have entered –
8 we are finishing negotiations; we have a term sheet
9 with a Danish company, called Ørsted Power, which
10 is expert in installing offshore wind, to put in
11 two test turbines to see if they can sustain in
12 that environment. We don't want to deploy 2000
13 megawatts without – obviously, we would need
14 permission from our commission to do that – without
15 knowing a lot more about how they would perform in
16 that kind of an environment. But we respond to
17 what our policymakers want us to do. We will be
18 involved in discussions – we hope to be involved in
19 discussions, if people will listen to us – on what
20 we think all the different ramifications are.

21 But we are by no means opposed to renewable
22 power. We have built very little – there's no
23 wind, in Virginia. It's not a good resource.
24 Although, we have been trying to build it in the
25 Virginia mountains for years, and the local county

1 won't give us zoning approval because they don't
2 want to see the turbines on the mountaintops.

3 **COMMISSIONER FLEMING:** Okay. And, also, could
4 I ask you what you are planning to go before
5 Georgia and North Carolina to ask, in your petition
6 to grant approval of the merger? Will it be
7 similar to what you're asking here?

8 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
9 Ma'am, I don't know the answer to that question. I
10 apologize. Because of different state laws, in
11 some states it's quite clear that there has to be
12 merger approval, so – probably, in North Carolina,
13 you have to get – you need commission approval, I
14 think.

15 [Reference: Presentation Slide 18]

16 **MR. JIMMY E. ADDISON [SCANA]:** We do in both,
17 for the transfer, with North Carolina and Georgia.

18 **COMMISSIONER FLEMING:** Okay. All right.
19 Great, thank you.

20 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
21 Thank you, ma'am.

22 **CHAIRMAN WHITFIELD:** Thank you, Commissioner
23 Fleming.

24 Commissioners, any other questions for these
25 two panelists?

1 [No response]

2 Well, if not, I've got a few for you. I'd
3 like to thank you for your presentation and for
4 your time in being here.

5 I'm going to start off with two kinds of
6 general questions for each of you – and, Ms.
7 Hudson, please stop me if I get too close to being
8 out of bounds of an allowable ex parte. I think
9 I'm going to be in between the lines on this one,
10 though. But, Mr. Farrell, I'd start with you. You
11 talked about – obviously, you made the statement
12 that we have a problem here; we wish it would go
13 away, and it's not going to go away. And you've
14 also stated that you've put a lot on the line,
15 here, yourselves. You even have been placed on a
16 negative-watch by the major credit rating agencies
17 because of this, in addition to other things you
18 brought to the table. But I would ask you, in
19 addition to your offer here, back to the ratepayer,
20 what would you say to the South Carolina ratepayers
21 who think it's not enough, that more needs to be
22 done for the ratepayer?

23 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**

24 I think that's an excellent question, Mr. Chairman.
25 I think, if you look at this, the way the offer

1 shakes out, about 70 – little bit more than 70 –
2 percent of what they have paid in will be paid
3 back, but it is a – and there will be – instead of
4 paying out over 60 years, it's reduced
5 significantly to 20. The total combination is
6 worth over \$12 billion in value to those customers,
7 compared to the status quo. And, unfortunately,
8 the choice is going to have to be made. If the
9 Legislature repeals the BLRA, I'm highly confident
10 – Jimmy's sitting right here; he can speak for
11 himself – I'm highly confident they will pursue an
12 appeal of that through the various systems,
13 commissions, state courts, et cetera, and Jimmy
14 showed you on that first chart what the
15 alternatives are, B and C alternatives
16 [indicating].

17 I wish that I – like I say, you can't – uh-oh.
18 uh-oh. I made it disappear. It did disappear.

19 **CHAIRMAN WHITFIELD:** It's okay.

20 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
21 Unfortunately, we can't make it disappear.

22 **CHAIRMAN WHITFIELD:** We can't.

23 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
24 Unfortunately, there's a choice that has to be made
25 between the status quo and the future. And our

1 offer is an effort to relieve as much of that as we
2 can bring to the table. It's far more than SCANA
3 can bring to the table on its own. And we will do
4 our very best to do anything else we can to help
5 out.

6 I know it's a very difficult choice. It can't
7 be wished away. It has to be dealt with. And we
8 think that – I've said in another forum that, is it
9 perfect? Does it solve every problem that a South
10 Carolinian has, with the history of this? No, it
11 does not. Is it a very good proposal? We think it
12 is. And we're hopeful that the "perfect" won't be
13 the enemy for the "very good."

14 **CHAIRMAN WHITFIELD:** And I thank you for your
15 answer. And just one quick follow-up before I move
16 to Mr. Addison, and then back to you. You
17 recognize the plight of South Carolina ratepayers.

18 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
19 Yes, sir. I understand. And that's why we framed
20 this – we thought it was important to get money in
21 their hands as soon as possible. A thousand
22 dollars is a lot of money to a residential customer
23 and, depending upon how the Commission wants to
24 structure it, you know, with industrials and the
25 churches and the government entities and all that,

1 it could be more. But we thought it was very
2 important to get money in their hands as quickly as
3 possible.

4 **CHAIRMAN WHITFIELD:** Well, thank you. I've
5 got a few questions for you, going forward, more
6 detailed than that general question. But, Mr.
7 Addison, I want to come back to you with something
8 similar. You are now the face of SCANA. And with
9 that being said, what is your take? What do you
10 think – is there anything else, in your mind – as
11 he said, it's not going to go away. Is there
12 anything else in your mind, as the face of SCANA,
13 that can be done?

14 **MR. JIMMY E. ADDISON [SCANA]:** I don't know of
15 anything else. I know two weeks after our
16 leadership changes were announced, the president of
17 SCE&G, Mr. Kissam, presented our best plan that we
18 thought we could present and remain a financially
19 viable company. That clearly was not acceptable to
20 the policymakers, to the customers of SCE&G, to
21 various parties in South Carolina. That's why,
22 when Mr. Farrell called, we listened to the
23 proposal. And this proposal, as you can see, goes
24 billions further than we can go. And I just don't
25 know anything else we can do on our own and remain

1 a financially viable entity.

2 And this is minuscule in the scheme of this
3 challenge, but, officially, January 1, I took this
4 responsibility. January 2, I walked in the
5 boardroom and said, "I think the best option is for
6 us to sell a 170-plus-year-old company in order to
7 get these benefits to customers." That's a very,
8 very difficult decision, but I think the best
9 decision given the challenges we have.

10 As I said you on August 1st, when we first
11 walked in here, I deeply regret where we are, but
12 the world changed radically in a lot of ways in the
13 time since that construction project started, and I
14 believe this is the best solution to help stabilize
15 the environment, for everyone involved to move
16 forward.

17 **CHAIRMAN WHITFIELD:** And you also stated to
18 Commissioner Elam earlier you had no other offers.

19 **MR. JIMMY E. ADDISON [SCANA]:** We did not.
20 This is the only proposal we have.

21 **CHAIRMAN WHITFIELD:** Yes, sir. Mr. Farrell, I
22 want to come back to you for some further
23 questions. Commissioner Howard asked a question
24 about RTOs and that sort of thing, and I think you
25 talked about a piece of North Carolina being in an

1 RT0, and I'm aware of that being in PJM. I think
2 one of their commissioners may even sit on that PJM
3 board – the North Carolina commissioner, I'm
4 talking about. But still, what you're saying is,
5 while that is in your territory, it's considered
6 non-RT0, the part that's in North Carolina. Is
7 that correct?

8 MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:
9 Yes, sir.

10 CHAIRMAN WHITFIELD: And if I'm not mistaken,
11 that part of northeastern North Carolina is heavy
12 in renewables, heavy in wind energy. Is that
13 right?

14 MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:
15 Solar.

16 CHAIRMAN WHITFIELD: And you have a good bit
17 of wind resources over there, too, near the Outer
18 Banks. Is that – or is that not in your footprint?

19 MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:
20 It's not – we do not.

21 CHAIRMAN WHITFIELD: That's in Progress – Duke
22 Energy Progress' –

23 MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:
24 Must be. We're in the northeastern quadrant. I'm
25 unfamiliar with what you're speaking of, sir.

1 **CHAIRMAN WHITFIELD:** So those resources that
2 I'm talking about are not Dominion.

3 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
4 No, sir.

5 **CHAIRMAN WHITFIELD:** All right. Back to the
6 RT0 thing, in your discussion with Mr. Addison, did
7 the fact that South Carolina is a non-RT0 state and
8 you're accustomed to being in PJM, did that enter
9 into your discussions? Did it raise any
10 complications in your discussions with Mr. Addison
11 or the proposed offer you have here?

12 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
13 No, sir.

14 **MR. JIMMY E. ADDISON [SCANA]:** No.

15 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
16 We are perfectly fine with whatever policy choices
17 South Carolina wants to make.

18 **CHAIRMAN WHITFIELD:** The vertically
19 integrated –

20 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
21 Absolutely.

22 **CHAIRMAN WHITFIELD:** – utilities?

23 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
24 Yes, sir. No interest in – you know, there's
25 positives and negatives to RT0s. But our North

1 Carolina service territory is not in an RT0 and our
2 Virginia service territory is. So we're quite
3 content with whatever the policymakers want us to
4 choose. We will not advocate that there be a
5 change.

6 MR. JIMMY E. ADDISON [SCANA]: And that's the
7 first time I've heard that issue come up. It's
8 never come up.

9 CHAIRMAN WHITFIELD: Never came up.

10 MR. JIMMY E. ADDISON [SCANA]: No, sir.

11 CHAIRMAN WHITFIELD: Next, we're somewhat
12 familiar with your commissioners, as we are in
13 other states, but Virginia's laws for IRPs,
14 integrated resource plans, what can you tell me
15 about that? Does the Virginia commission have any
16 teeth when it comes to approval of integrated
17 resource plans, or do they accept them as
18 information, as we have to do here in South
19 Carolina?

20 MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:
21 I would describe everything our commission does as
22 having teeth. But to be completely accurate with
23 respect to your question, I think it's like – it
24 sounds to me like it's like you have here in South
25 Carolina; it's informational filings.

1 **CHAIRMAN WHITFIELD:** Ten-year IRPs?

2 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
3 Fifteen.

4 **CHAIRMAN WHITFIELD:** Fifteen. Back to my next
5 thing, I think you pretty much addressed this with
6 Commissioner Elam. Your employees and economic-
7 development and job concerns here in South
8 Carolina, you've stated that the corporate
9 headquarters would remain in Cayce. But, of
10 course, I don't know that you can answer, going
11 forward beyond 2020, what impact this might have on
12 employees, and I'm talking about – I think you got
13 into a discussion with him about a nuclear
14 facility, but I'm talking about line crew, customer
15 service, that sort of thing. I know you're not
16 going to send a lineman down here, as you said,
17 from Virginia. I get that. But what sort of
18 shakeout – because there are a lot of South
19 Carolinians who are employed by this company and
20 have been for many, many years.

21 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
22 Yes, sir. Thank you. Just to be – make sure I'm
23 completely accurate, when I say the corporate
24 headquarters, I'm talking about of SCE&G, will be
25 remaining –

1 **CHAIRMAN WHITFIELD:** In Cayce.

2 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**

3 – in Cayce. Yes, sir. I want to be completely
4 transparent with you. The answer to your question,
5 I can't answer it as completely as I'm sure you
6 would like, but I will tell you from our
7 experience, is that there is likely to be very
8 little impact on line jobs, linemen and the people
9 working in the field and working in operations. In
10 our experience, that is very – that would be very
11 unlikely. It will be – where there are people
12 doing the same job is where you would tend to see
13 some redundancy. But I'll say this: It's a big
14 company. It's a big company. There's lots of
15 retirements coming. You know, baby boomers
16 actually are retiring now. So there's going to be
17 lots of job opportunities within the greater
18 family, for everybody, and we've said from the
19 beginning of this, our conversations, that if
20 somebody works for Dominion Energy in South
21 Carolina, if there's a redundancy but there's a job
22 in Virginia or in Utah or in some other state,
23 we'll be happy to have them come. But I know that
24 doesn't solve South Carolina's problem, but I would
25 think, to answer your question as accurate as I

1 can, sir, the more operational the job, the less
2 likely there will be any changes.

3 **CHAIRMAN WHITFIELD:** Well, I'm –

4 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
5 That's where most of the jobs are.

6 **CHAIRMAN WHITFIELD:** – aware of your presence
7 here, even though it's been in an unregulated
8 status the last couple of years, last two to three
9 years, I guess, in your gas side, so we are aware
10 that you've been here in our State for a few years.

11 Mr. Addison, if you could, just – if you could
12 touch on any concerns you might have along those
13 lines. I've heard from Mr. Farrell. I'd like to
14 hear from you.

15 **MR. JIMMY E. ADDISON [SCANA]:** Yeah. Mr.
16 Farrell can assure you that this is a central issue
17 to our discussions along the way. This is very,
18 very personal to me. We've held over a dozen
19 meetings this week with employee groups around all
20 three states, laying out both the impact, as we
21 know it today, and the timing of information we'll
22 be rolling out. We're putting together integration
23 teams now, in planning. I'm hopeful that these
24 required approvals will be granted, from the last
25 slide we presented earlier.

1 We do have substantial retirements coming. In
2 fact, in the economy that we're in with what an
3 economist would call near-full employment – about a
4 4 percent unemployment rate – it will be
5 challenging to find people to fill all the jobs,
6 were we on our own. It has become more challenging
7 with the difficulty we've been in in the last six
8 months. We are losing a lot of folks because of
9 the uncertainty of the situation we're in.

10 If you set all that aside, we project
11 somewhere between 4 to 10 percent, depending upon
12 the demographics of the area, will be retiring
13 naturally over the next several years because the
14 baby boomers, folks my age and older, are retiring.
15 So I heard Tom's H.R. folks say over and over in
16 these employee meetings this week, we expect to be
17 able to meet a majority of any of these impacts
18 through voluntary attrition. That won't be all of
19 them, and that's why I wanted the runway, if you
20 will, for financial protection that was negotiated
21 in.

22 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**

23 And just, if I could, Mr. Chairman.

24 **CHAIRMAN WHITFIELD:** Yes, sir.

25 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**

1 That was our experience in Utah, was that, through
2 the voluntary programs, voluntary retirement
3 programs, giving additional benefits for an early
4 retirement, things like that, most of this issue
5 was taken care of through a voluntary piece.

6 **CHAIRMAN WHITFIELD:** Thank you. Let me move
7 to another subject just for a second. Mr. Farrell,
8 as you know, we do not regulate Santee Cooper here,
9 in this State, and as you are well aware, their
10 percentage ownership of the two units. What
11 concerns, if any, did you and Mr. Addison discuss
12 about disagreements – possible disagreements – with
13 SCANA and Santee Cooper over the licensing and
14 anything related to the federal license from the
15 U.S. Nuclear Regulatory Commission? I know Mr.
16 Addison stated earlier that Santee Cooper has asked
17 for them to delay, I think, six months, and he
18 referenced, I think, Mr. Brogdon's letter, or
19 something, with Santee Cooper. But are you
20 concerned about any of that and the implications
21 from the tax deduction standpoint?

22 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
23 The tax deduction is an important part of the
24 economics of the transaction, but, as you'll see in
25 the merger agreement, it's dealt with – those

1 implications are dealt with there, I think,
2 adequately. Now, if part of your question is –

3 **CHAIRMAN WHITFIELD:** I really want to – I
4 think we've dealt with the tax deductions in other
5 Commissioners' –

6 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
7 Are you talking about the transfer of the license,
8 for example?

9 **CHAIRMAN WHITFIELD:** That, and potential
10 lawsuits between the two, anything like that. Do
11 you have any concerns along those lines?

12 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
13 We view, following their – as I understand it, it
14 has been – SCANA has been – SCE&G has been
15 attempting to negotiate a transfer of their 55
16 percent to Santee Cooper, which we think is a
17 perfectly fine idea. And we would support that,
18 going forward.

19 **CHAIRMAN WHITFIELD:** Thank you. Two more, and
20 I think I'm about done. Commissioner Fleming asked
21 you some questions, I think, about renewables. I
22 don't know how familiar you are here in South
23 Carolina with our Act 236, which is the Distributed
24 Energy Program Act, which basically allowed for
25 distributed generation and is known as our "solar

1 bill" here in South Carolina, and the possibility
2 of some of our investor-owned utilities nearing or
3 almost hitting that cap. Are you concerned about
4 that cap needing to be raised so that you can
5 continue to push out distributed generation, or are
6 you concerned about that – I'm not quite as
7 familiar with where the limits are in Virginia, so
8 I just wondered if you could address that.

9 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**

10 Mr. Chairman, I'm sorry, I'm just not familiar
11 enough with it. I haven't analyzed it.

12 **CHAIRMAN WHITFIELD:** Okay. Lastly –

13 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**

14 I know you have the law; I'm just not as familiar
15 with where they are and what it all means, is what
16 I – I'd have to look at it further.

17 **CHAIRMAN WHITFIELD:** Yes, sir. Lastly, a lot
18 of the focus or the attention has been on the
19 electric-service side, and with this merger you're
20 also taking on a new LDC in South Carolina Electric
21 & Gas. Could you talk a little bit about the
22 merger or the takeover, if you will, of two LDCs?
23 I know you're already in the gas business heavily,
24 as you said, but you are taking on an LDC here that
25 we regulate here in South Carolina. I know you

1 cited several storage facilities you have in the
2 Northeast and other areas. Could you address
3 anything there, any economies of scale, benefits,
4 or minuses, I mean, or negatives, if you can
5 address that, Mr. Farrell?

6 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**

7 Yes, sir. We think that local gas distribution
8 businesses are excellent businesses. They provide
9 a vital need for economies of the states where they
10 are. Most states don't have enough gas
11 infrastructure at the local levels. The Southeast
12 does not have enough gas pipeline infrastructure to
13 meet its growing needs. So we've been in the local
14 gas distribution business for over 75 years in our
15 company. Longer, actually, if you include our
16 company in the West. And those are very large
17 local gas distribution companies – the one in Utah
18 and the one Ohio – larger than the gas assets that
19 SCANA owns in South Carolina and larger than the
20 assets that are in North Carolina.

21 I think it's a critically important business,
22 and one that we invest a lot in to have reliability
23 and safety around the pipes, renewing the pipes.
24 And, unfortunately, the interconnection of pipeline
25 systems between our region, where most of the

1 storage is in Pennsylvania, Ohio, would be
2 difficult to take any advantage of that for the
3 benefit of South Carolinians without more
4 infrastructure.

5 **CHAIRMAN WHITFIELD:** And you've already said
6 you're working – you're the operator of a big
7 project you're about to start, so –

8 **MR. THOMAS F. FARRELL, II [DOMINION ENERGY]:**
9 Yes, sir.

10 **CHAIRMAN WHITFIELD:** With that, I don't think
11 I have any further questions.

12 Commissioners, any further questions or any
13 follow-up for these two panelists?

14 [No response]

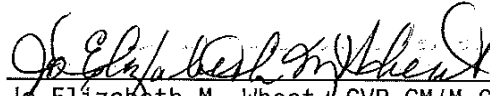
15 Again, thank you for your time, thank you for
16 being with us today. And if there's nothing
17 further, this allowable ex parte briefing is
18 adjourned.

19 [WHEREUPON, at 4:57 p.m., the proceedings
20 in the above-entitled matter were
21 adjourned.]

C E R T I F I C A T E

I, Jo Elizabeth M. Wheat, CVR-CM-GNSC, do hereby certify that the foregoing is, to the best of my skill and ability, a true and correct transcript of all the proceedings had in an Allowable Ex Parte Proceeding held before THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA in Columbia, South Carolina, according to my verbatim record of same.

IN WITNESS WHEREOF, I have hereunto set my hand, on this the 15th day of January, 2018.


Jo Elizabeth M. Wheat, CVR-CM/M-GNSC
Hearings Reporter, PSC/SC
My Commission Expires: January 27, 2021.